Greenply/2024-25
August 3, 2024

The Manager
BSE Limited
Department of Corporate Services
Floor 25, P. J. Towers, Dalal Street
Mumbai - 400 001
Scrip Code: 526797

The Manager
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E)
Mumbai - 400 051
Symbol - GREENPLY

Dear Sir / Madam,

Sub: Conference Call Transcript

Please find enclosed Conference Call Transcript in respect of conference call for Investors and Analysts held on July 31, 2024, on the financial results of Greenply Industries Limited for the quarter ended 30th June, 2024.

The same is also available on the website of the Company viz. www.greenply.com/investors

Thanking You,

Yours faithfully,
For **GREENPLY INDUSTRIES LIMITED**

KAUSHAL KUMAR AGARWAL
Digitally signed by KAUSHAL KUMAR AGARWAL
Date: 2024.08.03 16:30:26 +05'30'

KAUSHAL KUMAR AGARWAL
COMPANY SECRETARY &
VICE PRESIDENT-LEGAL

Encl.: A/a

“Greenply Industries Limited

Q1 FY '25 Earnings Conference Call”

July 31, 2024

MANAGEMENT:	**MR. MANOJ TULSIAN – JOINT MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – GREENPLY INDUSTRIES LIMITED** **MR. SANIDHYA MITTAL – JOINT MANAGING DIRECTOR – GREENPLY INDUSTRIES LIMITED** **MR. NITIN KALANI – CHIEF FINANCIAL OFFICER – GREENPLY INDUSTRIES LIMITED**
MODERATOR:	**MR. KARAN BHATELIA – ASIAN MARKETS SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Greenply Industries Limited Q1 FY '25 Earnings Conference Call hosted by Asian Market Securities Limited.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties, that are difficult to predict. Actual results may differ from such expectations, projections, et cetera, whether implied or expressed. Participants are requested to exercise caution while referring to such statements and remarks.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Bhatelia from Asian Markets Securities Limited. Thank you, and over to you, sir.

Karan Bhatelia: Thanks, Neha. Hi, everyone. On behalf of Asian Market Securities, we thank you for joining us on the Greenply Industries 1Q FY '25 conference call. In the panel today, we have Mr. Manoj Tulsian, Joint Managing Director and CEO, Mr. Sanidhya Mittal, Joint Managing Director; Mr. Nitin, CFO. May I now invite Manoj ji to begin the proceedings of the call? Thank you, and over to you, sir.

Manoj Tulsian: Thanks, Karan, and good evening, everyone. It's a pleasure to have you all on this call. I will be updating you on Greenply's operating and financial performance for quarter 1 FY 2025. I'm happy to share with you that we have achieved a consolidated revenue of INR584 crores during the quarter, a growth of 35.7% Y-o-Y.

During the quarter, our consolidated EBITDA also grew by 101.6% on a Y-o-Y basis to INR58 crores, and the margin during the quarter was at 10% as compared to 6.7% in quarter 1 FY '24. Our profit after tax for the quarter was at INR33.2 crores, which includes the impact of income tax refund pertaining to earlier years.

Now I'll share highlights of the individual businesses. In our plywood business, our volume growth for the quarter was around 8.6% Y-o-Y and value growth for the quarter was around 7.1% Y-o-Y. On the margin front, our adjusted core EBITDA margin for the plywood business for Q1, was 7.9% as against 8.7% in quarter 1 FY '24. The margin decline on a Y-o-Y basis by 80 bps due to increase in raw material prices.

Moving on to MDF business. Our revenue in Q1 was at INR132 crores, very similar to that of quarter 4 FY '24, and volume at 42,724 CBM. However, we improved our realization to INR30817 per CBM, which is an increase of 7.6% over the last quarter. I'm also happy to share with you all that we have also improved our EBITDA margins during the quarter, to 16.6% as against 14.1% in the previous quarter.

We are confident of continuing this improvement in performance in the coming quarters. More details on the MDF business will be shared by Sanidhya later on. On a consolidated basis, our net debt levels are at INR431 crores against previous quarter net debt level of INR502 crores which is a reduction of almost INR70 crores.

The reduction has been possible owing to many regions, including reduction in working capital, utilization of GST credit in our MDF business as we continue to ramp up and cash profit generated due to strong profitability during the quarter. We continue to maintain our year-end debt guidance of around INR450 crores. With this statement, I would like to hand it over to Sanidhya to provide more insights on our MDF business.

Sanidhya Mittal: Thank you, Manoj ji and good evening to everyone on the call. In our MDF business, we are progressing well. I'm happy to share with you that our realization has improved substantially during the quarter as we focused on value-added products, such as prelaminated boards. Prelaminated boards contributed to almost 22% of total sales in the quarter.

During the quarter, we were able to improve our raw material cost as a percentage of sales in the current quarter as a result of significant focus on effective sourcing strategies as well as significant process improvements as we continue to learn. Our other expenses have gone up as we have started putting additional efforts on sales and marketing activities.

We have also initiated capex program to set up our production capabilities and the value-added products such as MDF flooring, prelaminated boards, etcetera. We are also building the in-house resin production capability and for acquisition of other general fixed assets.

With this perspective, I would like to open the floor for Q&A session. Thank you.

Moderator: Thank you. The first question is from the line of Hrishikesh from Kotak Bank. Please go ahead.

Hrishikesh: Sir, just one question. When I look at your MDF profitability, especially comparing Q1 with Q4. Now if I look at it, volumes sequentially are lower your revenue are broadly flattish, but your margins apparently has seen a significant expansion of almost close to 17% compared to 14%. So how should we reconcile this in the absence of operating leverage?

Sanidhya Mittal: I'll answer this question. I think we've sold a better product mix in the market. So even though the absolute number in CBM remains kind of minus only compared to Q4 when you compare Q1, but because the product mix which we've sold is much better, the realization is better and hence, there is better profitability.

Hrishikesh: Just one clarification. Has there been increase in timber costs sequentially in MDF segment?

Sanidhya Mittal: So yes, there has been a slight increase in timber cost. It's not that there's 0 increase. It's on the upward trend, but compared to the peers, I think we are in a more comfortable situation in Gujarat.

Moderator: The next question is from the line of Keshav Lahoti from HDFC Securities.

Keshav Lahoti: Sir, congratulation on good set of numbers. So, I want to understand, because of change in product mix, which we are seeing each quarter improvement in product mix. So how much product mix can bring improved margin from here onwards?

Sanidhya Mittal: I want to imagine a very big number, but it's very difficult to say the things have worked for us in quarter 1, whatever we were planning. And honestly, last year, our attitude in MDF business was to grab the market share. Greenply has been a branded player selling kind of the most expensive plywood in the country.

So, our focus in MDF also remains the same where we want to really grow and become big in the value-added segment, whether it is the higher density board, whether it is Boil Pro 500 or it is pre-lam. Our focus is that how much we'll be able to achieve and how continuously, we can keep improving. I think that will be speculating. Internally obviously, we want to archive that maybe 100% of our sales are value added. I don't know how much practical it is.

Keshav Lahoti: Understood. Got it. And what is your guidance for this year for MDF volume and ply and margin side?

Sanidhya Mittal: Manoj ji?

Manoj Tulsian: I think we already gave the guidance on MDF one on the margin side, we said we'll be around 16% this year. So good that in the first quarter itself, we have been able to hit that number. So, our confidence has grown further. In terms of overall sales for MDF, we have said that we'll grow at 50% plus in MDF over previous years. And coming to plywood, we said that our volume growth this year would be close to around 8% to 10%.

And margin can be flattish or plus/minus 50 basis points here or there. Because right now, if you see first quarter, it has not been great in terms of margin, again, the type of pressure which we have been facing. And I don't see that coming down in quarter 2 also. So, I think margin -- though internally, we are feeling that we can improve, but at this point of time, it looks slightly as a challenge to improve the margins this year.

Keshav Lahoti: Understood. In ply, we have been hearing the industry might take a hike in its prices in the next 1 month. So, what is your sense on that? Is the Greenply also planning some sort of high in ply segment to pass on the timber cost?

Manoj Tulsian: Yes. So, I think what you have heard is right. We have already taken 1 price increase during this quarter, but the impact of that will be visible only in the coming quarters. So, we took it around June. And looks like we might have to plan another price increase also in the coming quarters.

Keshav Lahoti: Okay. And hike was like 3%, 4%?

Manoj Tulsian: No, no, no. See, it was different in different product categories, but mainly if you've seen plywood, I would say it was in the range of 1.5% to 2%.

Keshav Lahoti: Okay. Got it. One last question from my side. This quarter 1 already you did 17% margin in MDF and possibly ideally, what we hear from industry, the prices are at its bottom -- so won't you like to increase your guidance because it's just the Q1 and the volumes should be better in upcoming quarters also. So that's where the margin guidance is quite conservative?

Sanidhya Mittal: I don't think so because I mean we've been able to sell this kind of value-added mix in Q1. We hope to improve this mix going forward. But you never know. We don't want to overcome it. I think let us deliver first.

Manoj Tulsian: There is a pressure on the raw material side for sure, okay? And I think all the industry players are under pressure, good that at least we have been able to improve our margins. It will also be a factor of how the industry behaves. So, if most of the players looks at price increase and possibly, we'll also follow the same in which case, we might add delta to our margins further. But on a steady state, I think we assume that if things are the way they are. 16% to 17% margin is now looks like something which is doable for us. Maybe we can improve also on the existing one also.

Moderator: The next question is from the line of Sneha Talreja from Nuvama Wealth.

Sneha Talreja: Congratulations on a great set of number. Just on an extension on the first question, which was asked, which was regarding your MDF margin they really surprised us positively despite operating deleverage on a Q-o-Q basis. And you've given a reasoning of product mix. I just wanted to compare your peer's product mix; it seems that they've got a better product mix.

The raw material prices have moved up for both. Despite that they have shown a sharp decline in margins versus you have shown a sharp, this kind of an expansion. So, I just wanted to know reasoning from you. Has there been any price revisions from your end because we've heard of discounting from their end. Have you increased any prices? Or are you planning to do anything of that sort?

Sanidhya Mittal: Honestly, this year, we haven't done any new price cuts or any new schemes. So, whatever was continuing last year, we just continued the same. But we were very clear that in our approach that we are going to change the mix itself because of which the average value of every truck will go up, the average value of orders will go up and hence, the realization and eventually the bottom line. So, I think our focus worked for us. We haven't increased any scheme. There were a lot of people in Q1. I don't want to name any particular company. People have increased their outflows in Q1 further compared to Q4, but Greenply has not increased any outflow in Q1 compared to Q4.

Sneha Talreja: You mean, it's obviously efficiencies that has come into place, sir?

Manoj Tulsian: No, Sneha. To add to this, if you all recall, last year we continued to maintain that this MDF plant takes some time for getting better operational efficiency on the production side. Okay. And in the last call also, we mentioned that now we have started working on the internal operational efficiencies to improve and that will add up to the margin percentage because our margin percentage was very low till last quarter.

So, some of those things have also started working, which is helping us to improve our overall cost of production at the plant level. There is not -- nothing new, this is like the industry, the way the industry behaves that after 2, 3 quarters, you are able to get better operating efficiencies at your production side. So that helps you to bring down your cost of production.

Sneha Talreja: Just to continue with the question, what would be your average timber prices for this particular quarter as well as for quarter 4?

Manoj Tulsian: Around INR6 or something.

Sanidhya Mittal: INR6

Manoj Tulsian: Around INR6, but yes, around in the range of INR6.10, INR6.20.

Sneha Talreja: And largely flattish or 3% to 4% up Q-o-Q?

Sanidhya Mittal: Slight increase or flattish or slight increase, maybe 2% increase.

Sneha Talreja: Understood. Understood. I mean getting back to the question, of course, you already have done 16%, 17% times the margin, utilization level is still lower than the peers. Given revenue you see increase in value-added share given that you will also see increase in utilization from here on, what's stopping us to give a higher guidance in terms of margins? And secondly, just to extend the question, it looks like everyone has been speaking about bottoming out situation and pricing at bottom. Any talks on the rate prices given that raw material prices have largely stabilized at this point in time would be really?

Sanidhya Mittal: The reason we can't commit for a higher margin or give a projection for higher margin is because, in Q1, literally every other month or every other day, whenever we had an internal review that we all realized that the competition is further cutting prices. And we were very comfortable in the existing volume. We could not grow our volume. But to sell the existing volume at our old prices, whatever we were selling last year, we were very comfortable with our better product mix. So that kind of mix makes me like I'm not comfortable kind of giving a higher guidance because entire Q1, everybody will get greater cutting prices, including the month of July as well.

So, I don't know how the industry is going to stop and increase prices. I'm very confident of our working that we've committed 16% plus. That is what we're going to deliver through the year, whether the industry take a rise, does not take a rise somewhere.

Manoj Tulsian: See, if the industry takes the rise, Sneha, for sure, our margins will also improve, okay? But you mean at the competition at this point of time, this is what we were looking at, mostly from our own internal operating efficiency buildup. So, if you really ask us, we are happy about it that the 2 things which we were able to do. One, we are able to build up on the operating efficiencies internally. And second, as Sanidhya is saying that the product mix is something where we are able to do something better.

Maybe after quarter 2, we are able to do around 16%, 16.5% or 17%, then maybe we'll be in a better position to even give our revised guidance for the rest of the year.

Sneha Talreja: And -- but volume-wise, whatever guidance you have given, you would want to stick around that?

Manoj Tulsian: Yes, yes, yes.

Moderator: The next question is from the line of Udit Gajiwala from Yes Securities.

Udit Gajiwala: Congratulations on a great set of numbers. Sir, barring MDF, if you can comment, I mean, what is the ramp-up at Samet project as well? And what kind of execution do you see for FY '25 and going ahead as well?

Manoj Tulsian: Ramp up, which has happened on?

Sanidhya Mittal: Samet project.

Manoj Tulsian: Samet project, okay. So Samet project, we faced a few hurdles in the last quarter, maybe in terms of what we were planning versus how we were able to execute, one there were delays in receiving certain machineries, which was important to ramp up the production side. In fact, those machines have still not been shipped. So, there is a delay on account of that. And also, to a certain extent, in terms of hiring certain key positions, not the key position, but the team below on the sale side. So, because of these 2 reasons, whatever we could have sold also in quarter 1, we really could not do much.

Quarter 2, we are assuming that given that some of these factors will get corrected, we'll start selling from the month of September and quarter 3, we will build up on the same because by the time that line will also come, and it will get installed also. So, from quarter 3, we will be in a better sales position into the market. Most of the other work has been done, all civil work, everything is completed. So, the plant is fully ready to produce. It's just that some of the key machine has got filled up.

Udit Gajiwala: Got it. Got it, sir. So, I mean, where we are planning to ramp it up in the next 3 years, say, by FY '27, you wanted to reach a peak revenue. That still was right on an annual basis.

Manoj Tulsian: Yes, I think given our strength of distribution and given the type of response right now, what we have got already, okay, I think that is still doable. We'll be able to catch up for sure.

Udit Gajiwala: Got it. And sir, just a couple of clarification in the opening remarks where you stated that being in Gujarat, it's somewhat beneficial right now in terms of timber. So, what is the difference between the prices that you're getting in Gujarat versus the North and South average price?

Manoj Tulsian: I think North is around INR0.50, more expensive, I think in the South is around INR0.40, INR0.35, INR0.40 and we're still cheaper, that is what is my idea.

Sanidhya Mittal: Absolutely, North is almost around INR7.

Manoj Tulsian: So, North is around INR0.50 to INR0.80 expensive than our average and South would -- maybe around INR0.40 to INR0.50 cheaper than our average.

Udit Gajiwala: Understood, sir. And sir, just on the opening remarks to Mr. Sanidhya, he stated that in the capex, you are doing some internal resin thing as well. So, what will be the capex cost for this year? And what is this in-house resin that you are planning?

Sanidhya Mittal: So, to set-up in-house resin manufacturing plant, you basically need the environmental clearance. We were waiting for that. In Q1, the company was able to get into clearance. Now, we are building our own capability for producing resin for our MDF plant so that we can maintain the quality, cost, et cetera, on a long-run basis and also to secure the investment.

You are running across a big line; you cannot be dependent on a small vendor sourcing our resin. So, we wanted to quickly ramp up and start the production, hence, we started even about the resin facility, which was our plan to take permission and then eventually set up. So that's going to be implemented. Along with that, we're implementing flooring line and some other small value-added capex.

Manoj Tulsian: And the total capex as a company for this year, we had estimated around INR70-odd crores. It will be in that range only, including for MDF these new additions what we are talking and even plywood, the normal capex what we will do, a regular maintenance capex, everything together.

Udit Gajiwala: Understood, sir. And sir, just lastly, if I can squeeze on the in-house capacity for plywood what will that be currently? And going ahead, you plan to add any brownfield expansion here or some other plans to add capacity for plywood, that's the last from my end.

Manoj Tulsian: Yes. So, the existing capacity, I think it's given in the presentation, the 52...

Management: 48.4.

Manoj Tulsian: 48.4. We had done some line balancing, as I mentioned in the last quarter, we are getting that certified and we'll come back with the revised capacity, which will be maybe additional 2.5 million to 3 million square meters. And yes, I don't think this will be adequate enough for us to cater to our next year demand. So, we have now started planning one new facility.

Udit Gajiwala: Got it. And those plans might be finalized in coming quarters or so? Or is there something on drawing board if that would like to give directional numbers?

Manoj Tulsian: So, 3 to 6 months, I'm sure within which we'll have to finalize everything. And then another 6 to 9 months for the plant facility to come. So, I would say, around 15 months from now, we should be able to see a new facility.

Moderator: The next question is from the line of Bhavin Rupani from Investec.

Bhavin Rupani: My first question is related to MDF. Sir, in the press release, you have mentioned that there are some expansions of MDF to be completed by FY '25. Can you please provide what capacity addition that we are planning over here?

Sanidhya Mittal: So basically, I think we had spoken about the extension provision that we have from the machine supplier that our existing line of the 800 cubic meter MDF line. And this line can be expandable to 1,000 cubic meters. Basically, we can increase the capacity by 200 cubic meters per day. And for this expansion, we have already funded the capex through internal accrual, and we've already imported the extension. However, at the moment, we are not in a position to do this because our supply to the market is hand to mouth. So, whatever we are producing is what we are selling typically every month.

So, because of this situation, we are not in a situation to shut down our plant and increase the capacity. So whenever we have the next capacity or if we have a cycle where we get sometimes they want to quickly take a 20-day shutdown or a 25 day shutdown and increase our capacity further, but right now, we're not in a situation to comment when this can happen because we are really hand-to-mouth as far as capacity and market serviceability is concerned.

Bhavin Rupani: In the press release, you have mentioned that we are planning to add this capacity by end of FY '25. So, this should happen anytime in the next 9 months?

Sanidhya Mittal: Sorry come again.

Bhavin Rupani: In the press release, we have mentioned this capacity to be completed by FY '25, March '25. So, should we assume that it will come up in the next 9 months?

Sanidhya Mittal: I mean we were hoping that we'll be able to build some buffer and we are going to get this window some point this year itself to this, but I'm not sure if we'll be able to finish on this or maybe it gets scattered onto next year or 2 some time. But we have to see that -- basically, we need around 30 to 40 days of excess inventory with us. We're not being able to produce that. We are trying since last year.

Manoj Tulsian: We need to ramp up our production further, if we are able to do that. And if you are able to create some spare inventory, then for sure, we want to do it within March. Because we'll prepare ourselves for the next year in that case.

Bhavin Rupani: Got it, sir. And sir, as far as value-added is concerned, we are right now at 17 to 20-odd percent right now the total production. Where do we see this increasing to after this expansion?

Sanidhya Mittal: See, I don't -- with the line getting extended, it has nothing to do with value-added products. We are investing into newer product categories like HDF flooring. So HDF flooring is a value-added product within the MDF range. So, if we can scale that up our average realization and average profitability for the entire plant keeps going up. So similarly, we will keep investing into value-added products. So, for the moment, we have invested into a flooring line and also, we've invested into some new pre-lam presses. And we intend to increase our pre-lam business as well as our flooring business. And in the near future, maybe next to next year, every year, we want to add a product or two in the value-added segment and keep growing offerings in the value-added segment.

Bhavin Rupani: And sir, this 200 CBM that you're talking about, this will be totally pre-lam or maybe value-added product if what we can assume?

Sanidhya Mittal: For the raw board, so the main MDF line today is an 800 cubic meter line. Tomorrow, the slide after expansion becomes into 1,000 cubic meter line. The raw board. It doesn't matter what you're producing raw board, when you are producing HDF, MDF it doesn't matter.

Bhavin Rupani: Got it. And also, sir, is it possible for you to comment on the margins for value-added products are on the centred MDF? What would be the differential in margins?

Sanidhya Mittal: I think within value-added also each product kind of differ and I cannot give you a number. It'll will be vague, sorry.

Bhavin Rupani: And sir, last question is related to plywood. Is it possible to provide the breakup of Mass and premium volumes during the quarter, proportion of margins on premium?

Manoj Tulsian: Volumes, you want, right?

Bhavin Rupani: Volumes and value, both.

Manoj Tulsian: So, volume of premium is 44%, and the value segment is 56%. And in terms of value, it is 57% and 43%.

Bhavin Rupani: And what would it be last quarter?

Manoj Tulsian: Last quarter premium was 43%, and your value segment was 57%.

Bhavin Rupani: And what about last year FY '24?

Manoj Tulsian: Q1 FY '24, we were at 45% and 55% in premium and value.

Moderator: The next question is from the line of Ritesh Shah from Investec India.

Ritesh Shah: A couple of basic questions, pardon me for my ignorance. Sir, first is on MDF. I understand like the larger companies when we order the equipment it's predominantly from the same equipment supplier. So, I was trying to understand, basically, how is the market segmentation when we hear the market sizing, it's a 3.8 million CBM, how should one dissect it on the basis of quality or on the basis of thickness or on thickness and width? So, when you look to optimize your pricing and margins, what is the difference that we offer in the marketplace?

Manoj Tulsian: 3.8 million capacity if we have to break that between, let's say, all these automated machines versus -- the Chinese machine.

Sanidhya Mittal: I think 70% to 80% is with the automate with the larger guys, so with the top 5 companies.

Manoj Tulsian: 60% or 70% is all automated machines. There are 2 major manufacturers if we really see and then they have some extended arm in China, through which also they supply. But I think they're all equally good in terms of quality. So, I don't think that you will be able to differentiate much in terms of quality of the major players. And in terms of thickness also, Sanidhya can you give some more idea on thickness in terms of sheet. We can speak about our thickness, our range.

Sanidhya Mittal: We have to divide the total market into thickness.

Manoj Tulsian: I' think that is the right way to look at it.

Sanidhya Mittal: What is the right way to look at it is what gets sold through the trade and what gets sold directly through the OEM. OEM is typically at a lower price point and into the mass product. And if you look at trade battles actually where you're building a brand and where you're actually building retail sales, because that network is actually eating into the cheaper plywood, yes, the network of the trade, and that is where adding a new brand today is making a buck.

So, anyone who's wanting to pay a premium with the trade is wanting to pay the premium. And that is where, honestly, Greenply's enjoying its brand name, its relationship with the traders, which is probably now 3, 3.5 decades old. So that's where we got the backing warm welcome, and we were able to establish ourselves very quickly.

Ritesh Shah: Right. So, what was the trade sale number by value and volume that's possible for the quarter?

Sanidhya Mittal: I can give you in percentage of my split. Typically, my target for this year is 88% business from trade and 12% business from OEM.

Ritesh Shah: Okay. And for the quarter, I think in Q4, it was 73%, if I remember it right, via trade sales by value. So, in Q1, what number was that?

Sanidhya Mittal: Can you come again?

Manoj Tulsian: He's saying in Q4, it was 73%.

Management: No, I also don't think so. If in case, we mentioned that possibly there might be a mistake. But what we can do is we can reach in those numbers and maybe somebody from our team can get back to you on this.

Ritesh Shah: Sure. If I just put the question on the other way round. Does the thickness of the material vary when it goes into trade or when it goes into mass? Because I understand the equipment that we have is from 2.5 to 40 mm. So, when we sell something from an application standpoint, be it trade or mass for them. So, is it something which is different? Or is it broadly similar?

Sanidhya Mittal: No, no. I think every type of thickness can be sold to OEM and to trade. There's lower thickness in trade as well as in OEM and even higher thickness same applies. I think grades vary. So, the moment you go to trade, you can sell more of our MDF. And the more you are OEM heavy, you'll end up selling industrial grade more. So as a company, our focus on industrial grade or our interior is very low, our focus is on all of our grades. So hence, we don't want to focus too much on OEM at this point, because we have only 1 line at this moment. We want to optimize the maximum out of this. Tomorrow, when Greenply has another line, the strategy might be different.

Ritesh Shah: Okay. So just to...

Manoj Tulsian: Clarification, in case of MDF, if you have applications. That's why one has the liberty to sell different thicknesses also. So, because MDF goes much beyond furniture-making.

Ritesh Shah: Right. Sir, sir, the idea to ask this question was to understand and appreciate the margin profile that we are churning right now. So, to what I understand is among the organized players, product is not a moat. Everybody is getting the same output probably from the same equipment supplier. It is a mix on trade and nontrade. That is what is the key differentiating factor? Is that the right way to look at it?

Management: Yes, that is one trade and nontrade and then within the same trade, again, what type of product which you are able to sell.

Ritesh Shah: Sir, a related question, if one has to look at imports into the country, are these imports more on the thinner gauges or is it more on the thicker guages? The idea to ask this question again is, so the Baroda plant, what you have, do you configure it for a particular thickness so that you can avoid the imports, direct competition, and that's where we are getting better pricing and better margins?

Manoj Tulsian: Sorry, can you please repeat the question?

Management: So, I don't think so that, that is the differentiator, okay? Mainly the import market depends on your interior rate. They don't have the value-added products today, which actually really comes to the Indian market. And again, there is a differentiation in terms of the density of the products what we manufacture in India versus what gets imported. So, it is actually not even a one-to-one comparison thoroughly.

Sanidhya Mittal: And the comparison between imported and our product, there's a huge difference in the raw material. I mean most of the material which is imported is rubber wood. So, the nature of the product and the workmanship on that gets very difficult. So, when we compare import, actually, it's not an apple-to-apple comparison.

And the industrial grade, which the competition talks about, I don't think we even make it. The commercial grade or the industrial grade, we don't even manufacture it, which they manufacture to compete with imports. Honestly, we are not competing with that segment.

Management: See, it's like in plywood also when you look at when we say that the unorganized market is 80%, organized is 20%, or let's say 75%, 25%. Well at least a good 25% or 30% or 35% of the market where we can't even think of competing in those markets, which is very low value-added and very different in terms of products also. So similarly, one of the reasons if you really see that the import has not been able to hit beyond a point domestic manufacturers, this is because the product profile is different. The customers are different.

Ritesh Shah: Sir, my second is on the raw materials, specific for the Baroda plant. Where do we procure the raw material locally from Gujarat or any of the other states or even Kerala? And have you also explored importing raw material for this particular facility? And how should one look at the economics for year?

Sanidhya Mittal: So, I think importing pulp, timber or pulp grade chips at the moment is still not viable. The landed cost is I think INR10,000 plus at an Indian port today per ton. While we are still operating at around INR6.10, we're still talking about INR10. So, there's a huge cost jump when it comes to imported. I know paper industry has been importing in India. We have been closely studying it, but we are not in a situation to act on that as of now.

As far as our current raw material is concerned, so I think 50%, 60% dependent on Gujarat, Maharashtra, balanced dependent across India. And yes, that is how we are operating today. I think in the future, maybe next year, middle or maybe the year after that, 100% of raw material will be locally available because now we are planting enough for the last 3 years in Baroda itself.

Ritesh Shah: Okay. And sir, just last question. You indicated a new plant and commissioning into, 18 months, if I heard it right. Sir, can you give some broad colour? Just trying to understand that from a balance sheet standpoint, what sort of leverage indicative capex we are looking at?

Manoj Tulsian: See, if you look, I think this year, as we mentioned, debt profile would be somewhere around INR450-odd crores by the end of the year, whereas the net worth keeps improving. So, we'll be comfortably placed around 0.5 debt to equity this year. And it looks like that we will be able to manage this debt profile of 0.5 going forward also. And plywood, even if we invest in a plant, it will cost maybe around INR120 crores, INR125-odd crores at best.

Moderator: The next question is from Karan Bhatelia from Asian Market Securities Limited.

Karan Bhatelia: Sir, just to continue with plywood plan that we are evaluating. So, will that be purely a premium kind of production? Or we are looking for a mix of premium & mass category?

Manoj Tulsian: Now seeing most of our plants, we actually manufacture premium as well as mass category. Okay? And we felt that, that model works well. There's a lot of controls, which we are able to exercise. So yes, don't hold us by our neck. But for sure, we'll have to come out with the plant, as I said, in fact, in the last call also I mentioned that we will need capacity addition in FY '26. What I'm giving right now is a tentative schedule, and I think within those 18 months, we definitely will need a plant otherwise possibly we might go short on growth. We might have to compromise on growth. So that's why I was saying 15 to 18 months we'll have to get another plant.

Karan Bhatelia: Right, right, right. And with respect to debt reduction over a slightly longer period, 2 to 3 years, what kind of average yearly debt reduction can be seen?

Manoj Tulsian: Look, I think I think the next big investments, whenever it happens, will be for the next MDF line. Other than that, most of the investments, like setting up 1 plywood plant, which can help us to cater to our demand over next 2 years or 3 years, whenever we do it, is only around INR100 crores, INR25-odd crores. The other maintenance capex in any case will continue for which I think our depreciation will be good enough to take care of the same.

So, the next big investments, which will come is for setting up the next MDF line. And by the time, I'm sure that our debt already will come down to a level of around INR200 crores, INR250-odd crores. By the time we announce, and then again, the investment of MDF takes place over a period of 2 years, normally. So, that's why we have been maintaining, that looks like INR450 crores of debt is something, which will look like a peak debt going forward by having new capacity expansions.

Karan Bhatelia: Right. And are we looking at laminate as a segment as well?

Manoj Tulsian: At this point of time, I would say, no. We have just done a very small soft launch, which is purely on the trading platform. We just did it, not even worth mentioning, okay? So, we are just trying out that how is the market today. We will get a feel of the same for the next 6 to 12 months. And then anything if we really want to invest on that is something which we been at that point in time will start thinking. At this point of time, we might be doing something on the trading platform. Under small volume.

Moderator: The next question is from the line of Mithun Aswath from Kivah Advisors.

Mithun Aswath: Congrats on a great set of numbers. Yes. Sorry to take on your joint venture with SAMET. In terms of how large is this opportunity and what kind of revenues are you looking to do this year? And just as a thought, business may be higher ROCE compared to your existing businesses. And you do mention that you want to put up more plywood plants and other units. Does it make sense to focus on this in an aggressive manner as well since there aren't too many local players in this category and you would be one of the first? So, I just wanted to understand.

Manoj Tulsian: Too many good questions. See, first thing first, I think we will definitely work aggressively in terms of ramping up the same, but then even aggressive had limitations, okay? Because there are some very strong players who are here for ages already into this market or selling similar capability in terms of the product engineering side of it, okay? Yes, Greenply definitely brings in that added advantage of distribution, and that has been the forte. SAMET definitely brings in very good experience in terms of engineering and the products, what they have already innovated. So those are the strengths on which we want to build up.

As we mentioned earlier that our total investments phases over 3 phases, would be close to around INR250-odd crores, okay, which will give us a capacity of top line of around INR750-odd crores. Our initial calculation also shows that once this business gets built up beyond INR300 crores, the EBITDA margin can be as high as more than 25%. So, the business looks to be very good, very, very promising. And the first target itself would be to see that how fast we are able to ramp up over the next 2 to 3 years.

Mithun Aswath: So, as you mentioned INR250 crores. How much of that would be done in FY '25?

Manoj Tulsian: FY '25. We have already done most of it in FY '24 itself, we have done almost close to around INR150 crores, INR170-odd crores INR140 crores to INR150 crores was by completed by FY '24. In FY '25, we might add another INR40 crores or INR50-odd crores. And then in FY '26, we will have maybe another INR50-odd crores, the capex number.

Mithun Aswath: So, is it safe to say that we can touch INR300 crores number in FY '26?

Manoj Tulsian: No, what are you asking? Are you asking about the revenue FY '26 revenue from that business. No, no, FY '26, INR300 crores. No, what we have given is possibly by FY '27, we should be looking at a number of INR250 crores to INR300 crores for sure.

Mithun Aswath: And how many centres or places, is the product available currently?

Manoj Tulsian: No, it's just the beginning. So, I don't think these numbers will make any reference at this point of time. Give us 2 quarters, and then I think these numbers will have a lot of relevance.

Moderator: As there are no further questions from the participants. I now hand the conference over to Mr. Sanidhya for closing comments.

Sanidhya Mittal: Thank you all for taking the time to participate in this call. In case of any further clarification of queries, please feel free to reach us. Thank you.

Moderator: On behalf of Asian Market Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.